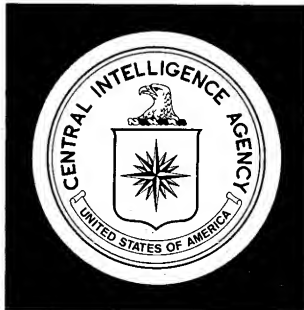


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The President's Daily Brief

August 31, 1974.

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

August 31, 1974

PRINCIPAL DEVELOPMENTS

The attempted assassination of a leftist confidant of Archbishop Makarios will further complicate acting Cypriot President Clerides' efforts to control extremist factions while he tries to build a political base. (Page 1)

Moscow appears to have resumed arms deliveries to Cairo after a suspension of more than four months. (Page 2)

[REDACTED]

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The Communist Party chief in Leningrad has made a strong pitch for you to meet soon with General Secretary Brezhnev. (Page 4)

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[REDACTED] Egypt [REDACTED]

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[REDACTED]

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French [REDACTED] West Germany. (Page 6)

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A note on a Saudi Arabian loan to Japan is on Page 7.

At Annex we discuss the Transfer of Technology From the US to the USSR.

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CYPRUS-GREECE

The attempted assassination yesterday of maverick leftist leader Vassos Lyssaridis will further complicate acting Cypriot President Clerides' efforts to control extremist factions while he tries to build a political base.

Lyssaridis, a confidant of Archbishop Makarios, has accused the right-wing EOKA-B organization of trying to kill him. He has appealed to his followers not to seek revenge, but the attack could spark further violence between extremist groups on Cyprus.

The attack may also have been a warning to Clerides, who has removed many officials associated with the short-lived, right-wing Sampson regime. Clerides has appointed personal friends and individuals associated with Makarios to key government posts.

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Greek Activities

Greek Foreign Minister Mavros is to begin a tour of European capitals next week with visits to Paris, Brussels, and Bonn. He will then travel to New York for the UN General Assembly meeting. Mavros will seek support for the Greek position on Cyprus, and he is likely to discuss bilateral relations, Greek relations with the European Communities, and Athens' withdrawal from the NATO integrated military command.

The French are continuing their efforts to strengthen relations with Athens.

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USSR-EGYPT

Moscow appears to have resumed arms deliveries to Cairo after a suspension of more than four months. Two Soviet ships were unloading military cargoes at Alexandria within a week of each other toward the end of August. [REDACTED]

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Resumption of Soviet arms deliveries is probably intended by Moscow to demonstrate its interest in maintaining good relations with Cairo. The deliveries reciprocate President Sadat's recent statements that have been somewhat more favorable to the USSR. [REDACTED]

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The Soviets may also be concerned over Cairo's efforts to find other sources of arms. Resumption of deliveries does not mean, however, that Moscow will no longer use arms supply as a pressure point against Sadat.

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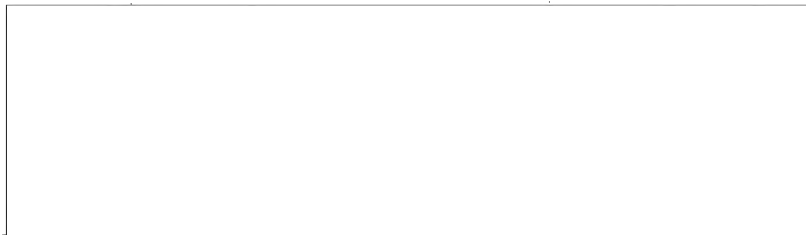
USSR-LIBYA



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USSR

The Communist Party chief of Leningrad has made a strong pitch for you to meet soon with General Secretary Brezhnev. The official, G. V. Romanov, is a candidate member of the Politburo and a young comer who appears to have developed good political ties with Brezhnev. We assume Romanov's remarks reflect Brezhnev's thinking, although we doubt they were directly checked out with the General Secretary.

Romanov told departing US Consul General Gleysteen that the personal contact between former president Nixon and Brezhnev was essential to the ending of the "cold war atmosphere." He said it was vital that you establish a similar personal relationship, implying that it was particularly important to progress in negotiations on arms limitations. Romanov expressed concern that you would concentrate on domestic problems. Soviet media commentaries have given this theme considerable play.

Romanov's emphasis on the importance of personal relationships reinforces our belief that Brezhnev is concerned about the impact on Soviet foreign policy of the departure from office of Brandt, Pompidou, and President Nixon. Moreover, Brezhnev's own pre-eminence in the leadership was based in part on the personal rapport he had developed with these men.

Romanov also said the Soviets attach considerable importance to a trade bill and are growing impatient with the delays. He argued that the requirements of long-range economic planning may force Moscow to make some decisions about the development of Siberia without US participation.

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EGYPT-ISRAEL-SYRIA

[REDACTED]

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[REDACTED]

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FRANCE - WEST GERMANY

[REDACTED]

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[REDACTED]

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NOTE

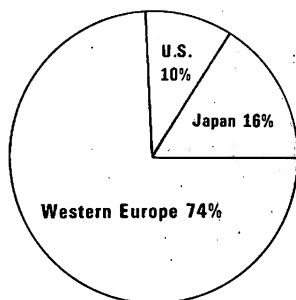
Saudi Arabia - Japan: Saudi Arabia is lending the Bank of Tokyo \$1 billion. The loan, which is for four years at 10.5 percent, will be guaranteed by the Japanese Ministry of Finance. Japan needs financing to offset an anticipated \$3-billion balance-of-payments deficit, resulting chiefly from the increase in oil import bills during the second half of 1974.

The backing of the Japanese government should stimulate an inflow of foreign capital.

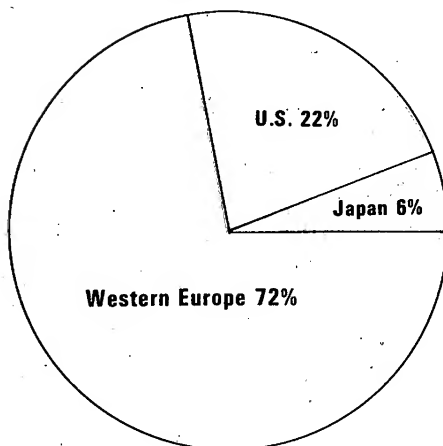
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Soviet Machinery and Equipment Orders From the West

**1966-71 Average
\$660 million**



**1972-74* Average
\$2,300 million**



***Based on data through August 1974.**

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*FOR THE PRESIDENT ONLY***TRANSFER OF TECHNOLOGY FROM THE US TO THE USSR**

Detente has given the Soviet Union easier access to American technology and equipment in electronics, computers, chemicals, petroleum, and other key industries.

The principal channel for the transfer of US technology to the USSR is the private sale of advanced industrial equipment by leading US manufacturers. Transfer is generally most effective in the sale of complete plants when foreign firms contract to design the plant, supervise construction, install the equipment, and train Soviet personnel.

Government-to-government scientific and technical cooperation has also opened new avenues for exchanges of information and experience, particularly in fields of civilian research and development. Under 11 bilateral agreements, approximately 150 projects have been singled out for joint work. In addition, US private firms have signed about 30 agreements with the Soviet State Committee for Science and Technology.

The Soviets are also obtaining US technology through the acquisition of manufacturing licenses, solicitation of detailed technical proposals, visual inspection of US plants, attendance at international conferences, and exploitation of US technical literature on a broad scale.

US Role as Supplier

From 1966 to 1971, the US accounted for 10 percent of Soviet contracts for plants and equipment. During these past two years of detente, the US share has increased to 22 percent. US supply of technology is part of the expanded role of the West in meeting Soviet requests as Moscow has registered dissatisfaction with its own rate of technical progress.

In several of the fields in which the Soviet Union is interested, the US possesses the best technology or is the sole source.

--Only the US has developed computer hardware and software across the entire spectrum.

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--Only the US is in a position to supply the design and production technology for semiconductor devices across the board.

--In the petroleum field, the US can supply more effectively than other sources complete systems for onshore, offshore, and permafrost exploration and for production and building pipe for pipelines.

--In the automotive field, the US has the best automotive machine tools for high volume output.

--US civil aircraft production technology ranks with the best in the world, although it is uniquely superior in only a few areas.

In spite of these advantages, the US does not enjoy much leverage as a supplier. Other Western nations can also supply advanced technology and extend necessary credits. Moreover, Moscow's bargaining position has improved now that it has at its disposal increased revenues from sales of oil, gold, and armaments.

Impact on the Soviet Economy

US technology plays an important role in some industrial branches of the Soviet economy, but the US input is far too small to have an appreciable effect on overall growth. The US share of total foreign investment in the Soviet Union is less than 1 percent.

US and other Western technology is also slow to affect the Soviet economy because of Soviet difficulties in assimilation. The Soviet civilian industrial management system provides neither the organization nor the incentives to carry technical advances effectively through the development and testing stages into production. These characteristics of the Soviet system are reflected in the exploitation of advanced foreign technology, when assimilation demands extra flexibility in organization and broad-scale managerial approaches to innovation. The Soviet economy ultimately benefits--but not nearly as quickly and as thoroughly as might be expected. Nonetheless, US and other Western technology helps keep the USSR from falling further behind and helps build up the Soviet Union's scientific and technological base.

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*FOR THE PRESIDENT ONLY*Impact on Soviet Military Capabilities

So far, the trade, contacts, and technical agreements associated with two years of detente have not transferred discernible amounts of military technology to the USSR. In the short run, therefore, the effect of detente will be an increase in Soviet military capabilities only in the support and logistic areas. Because of US and Western aid, the USSR and the Soviet military forces will have better trucks, more reliable communications, and an improved network for petroleum supply, as well as other improvements that are embodied directly or indirectly in the equipment and technology delivered in normal trade.

What really matters in the overall military balance between the Soviet Union and the US is US superiority in particular high-technology fields--especially in electronics and computers. Continuing Soviet acquisition of US and other Western technology might contribute to major improvements

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But before introducing foreign technology into the Soviet arsenal, Moscow would insist on complete mastery of the related production processes. This would require an exceptionally strong performance by its military industrial sector.

The success of the USSR in applying US technology in military areas depends in part on the care with which US firms, scientists, and engineers treat their growing contacts with Soviet counterparts. The guidelines set and administered by the US government will be influential in determining private attitudes and in limiting the transfer of military-related technology. The increasing flow of advanced technology to the USSR from other countries, however, will continue to erode the effectiveness of unilateral US controls.

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